

Message Text

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PAGE 01 EC BRU 11682 301337Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

FRB-03 LAB-04 SIL-01 /109 W

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R 301228Z NOV 76

FM USMISSION EC BRUSSELS

TO AMEMBASSY LONDON

INFO SECSTATE WASHDC 2447

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

AMCONSUL EDINBURGH

AMEMBASSY BRUSSELS

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E.O.11652: N/A

TAGS: ENRG UK EEC

SUBJECT: NORTH SEA OIL: EC INQUIRY INTO POSSIBLE DISCRIMINATION
BY UK OFFSHORE SUPPLIES OFFICE

REF: (A) LONDON 19065 (B) EC BRUSSELS A-506

1. COMMISSION COMPETITION POLICY OFFICIALS HAVE CONFIRMED TO
MISSION SUBSTANCE OF REFTEL A.

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PAGE 02 EC BRU 11682 301337Z

2. SIX MONTHS AGO THE COMMISSION NOTIFIED THE UK THAT IT WAS LOOKING INTO ALLEGED DISCRIMINATORY PROCEDURES IN THE PURCHASE OF NORTH SEA OIL EQUIPMENT. BECAUSE THE UK HAS NOT RESPONDED TO THIS NOTICE TO THEIR SATISFACTION, THE COMMISSION WILL LIKELY DECIDE TO BEGIN A FORMAL INQUIRY BY DECEMBER 8. COMPETITION OFFICIALS SAY THIS STEP IS AN ESCALATION OF PRESSURE WHICH USUALLY BRINGS SOME COMPLIANCE FROM OFFENDING MEMBER STATES. AT THE END OF THEIR INQUIRY THE COMMISSION WILL NORMALLY PUBLISH A FINDING THAT TAKES ACCOUNT OF ANY PROGRESS MADE TOWARD CORRECTING ABUSES AND INDICATES NECESSARY ADDITIONAL STEPS. IF THE UK TAKES NO CORRECTIVE ACTION, THE INVESTIGATION COULD LEAD TO A FORMAL DECISION BY THE COMMISSION ORDERING THE UK TO DESIST FROM THE OBJECTIONABLE PRACTICES WITHIN A SPECIFIED TIME PERIOD. IF THIS DECISION IS IGNORED, THE COMMISSION BRINGS THE CASE TO THE EUROPEAN COURT OF JUSTICE.

3. FOR THE COMMISSION, THE UK PRACTICE IS A SIMPLE CASE OF DISCRIMINATORY AID TO BUYERS UNDER THE CONDITION THAT PURCHASES BE MADE FROM UK FIRMS. THE COMMISSION'S COMPETITION OFFICIALS OBJECT TO THE FACT THAT THIS AID DISTORTS COMPETITION BY DISCRIMINATION AGAINST OTHER MEMBER STATE SUPPLIERS (ARTICLE 92 OF THE ROME TREATY). COMMISSION OFFICIALS SAY THE COMPLAINT IS NOT OBJECTING TO THE DISCRIMINATORY EFFECTS ON US SUPPLIERS, WHOSE COMPETITION IS HELD UP BY THE UK AS THE REASON FOR THE AID.

4. MISSION REPORTED IN REF B THE RECENT DECLINE OF COMMISSION ACTIVITY IN THE STATE AIDS FIELD FOR REASONS RELATED TO COMMISSION IDEOLOGY AND THE ECONOMIC RECESSION. IF THE COMMISSION DOES DECIDE TO OPEN A FORMAL INVESTIGATION AGAINST THE UK'S OFFSHORE SUPPLIES OFFICE, THIS ACTION WILL MARK AN IMPORTANT EXCEPTION TO THE TREND. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE DISCRIMINATION, ALLEGATIONS, OFFSHORE OIL FIELDS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU11682
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760443-0544
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976115/aaaaadts.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LONDON 19065, 76 EC BRUSSELS A-506
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2004 by ElyME>; APPROVED <19 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NORTH SEA OIL: EC INQUIRY INTO POSSIBLE DISCRIMINATION BY UK OFFSHORE SUPPLIES OFFICE
TAGS: ENRG, UK, EEC
To: LONDON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006